

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



FILED
1-21-15
04:59 PM

Application of San Diego Gas & Electric
Company (U 902 G) and Southern
California Gas Company (U 904 G) to
Recover Costs Recorded in their Pipeline
Safety and Reliability Memorandum
Account.

Application 14-12-016
(Filed December 17, 2014)

**PROTEST
OF THE OFFICE OF RATEPAYER ADVOCATES**

DARRYL GRUEN
Attorney for the Office of Ratepayer
Advocates

California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Phone: (415) 703-1973
Fax: (415) 703-4592
E-mail: darryl.gruen@cpuc.ca.gov

January 21, 2015

TABLE OF CONTENTS

	<u>Page</u>
I. INTRODUCTION.....	1
II. BACKGROUND	2
III. ISSUES IDENTIFIED IN ORA’S PRELIMINARY REVIEW	3
A. SED REVIEW	3
B. ON-GOING VALVE PROJECTS	4
C. CLARIFY APPLICATION SCOPE CHANGES	4
D. COMPLIANCE WITH D.14-06-007	5
E. ADDITIONAL ISSUES.....	5
IV. OTHER ISSUES	5
A. SCHEDULE.....	5
B. CATEGORIZATION	7
V. CONCLUSION	7

I. INTRODUCTION

In accordance with the Commission's Rules of Practice and Procedure (Rules), the Office of Ratepayer Advocates (ORA) submits this protest to San Diego Gas & Electric Company's (SDG&E) and Southern California Gas Company's (SCG) (collectively referred to as "Applicants") application to recover the Pipeline Safety and Reliability Memorandum Accounts (PSRMA) revenue requirements in customer rates. The notice of the filing of the PSRMA Application appeared on the Commission's Daily Calendar on December 22, 2014, and, therefore, pursuant to Rule 2.6(a),¹ ORA's protest is timely filed.

This Protest identifies the following issues raised by the Application. The issues that ORA proposes be investigated as part of this application are:

1. Will the Commission's Safety and Enforcement Division (SED) take an active role in this proceeding? If so, will parties have an adequate opportunity to review SED reports before preparing testimony;²
2. Approximately 100 in-progress replacement and valve-enhancement projects have been initiated, but excluded from the application. What method of recovery will Applicants pursue for these projects;³
3. Whether Applicants will at a later time or through a different proceeding, either voluntarily or to comply with Commission requirements, change the scope of certain items in its application;⁴
4. Whether the Application and revenue recovery requests comports with certain provisions of D.14-06-007 Safety Enhancement Reasonableness Application filing requirements, criteria for determination of disallowed costs;

¹ Public Utilities Commission, Rules of Practice and Procedure, p. 19.

² More discussion in Section III A.

³ More discussion in Section III B. See also SCG Prepared Testimony for A.14-12-016, p. 8.

⁴ More discussion in Section III C.

5. Whether the Applicants' project costs were reasonably incurred, and whether Applicants have appropriately justified the costs for revenue recovery?⁵

ORA reserves the right to supplement the issues listed above at a later date as it continues to conduct its review of the Application and more information becomes available.

II. BACKGROUND

Following the San Bruno pipeline explosion in September 2010, the Commission issued Rulemaking R. 11-02-019. In D.11-06-017, the Commission ordered all California natural gas transmission pipeline operators "to prepare and file a comprehensive Implementation Plan to replace or pressure test all natural gas transmission pipeline in California that has not been tested or for which reliable records are not available."⁶ In D.12-04-021, the Commission transferred SCG and SDG&E's PSEP to A.11-11-002 and authorized SCG and SDG&E to create a "memorandum account to record for later Commission ratemaking consideration the escalated direct and incremental overhead costs of its Pipeline Safety Enhancement Plan..."⁷ On May 18, 2012, the PSRMAs were established pursuant to SCG and SDG&E Advice Letters 4359 and 2106-G.

As acknowledged by Applicants, in order to recover PSEP costs, they were ordered to "file an application with testimony and work papers to demonstrate the reasonableness of the costs incurred which would justify rate recovery."⁸ The Commission indicated that the application should:

"...document and demonstrate an overview of the management of Safety Enhancement which might include: ongoing management approved updates to the Decision Tree and ongoing updates similar to the Reconciliation. The

⁵ More discussion in Section III E.

⁶ D.11-06-017, p. 18.

⁷ D.12-04-021, p. 12.

⁸ D.14-06-007, p. 39; See also Application, p. 5.

companies should be able to show work plans, organization charts, position descriptions, Mission Statements, etc., used to effectively and efficiently manage Safety Enhancement. There would likely be records of contractor selection controls, project cost control systems and reports, engineering design and review controls, and of course proper retention of constructions records, retention of pressure testing records, and retention of all other construction test and inspection records, and records of all other activities mandated to be performed and documented by state or federal regulations.”⁹

Applicants’ application (Application) identified where in accompanying testimony they discuss specific elements identified in pages 36-37 of D.14-06-007.¹⁰ The Application characterizes its filing components consisting of testimony in Decision Tree Updates, Mileage Reconciliation, Work Plans, Organization Charts, Position Descriptions, Mission Statement Contractor Selection Controls, Project Cost Control Systems and Reports, and Engineering and Design and Review Controls.¹¹ ORA will review these components to determine their consistency with the filing requirements provided in D.14-06-007.

III. ISSUES IDENTIFIED IN ORA’S PRELIMINARY REVIEW

A. SED Review

Given Safety and Enforcement Division’s (SED) review in recent past proceedings, it would be helpful if the Commission clarifies the role of SED in the instant proceeding. In particular, will SED review “how SoCalGas and SDG&E have prioritized PSEP work, the Decision Tree methodology used to determine whether to hydrotest or replace a pipeline segment, and the inclusion of accelerated and incidental miles in Phase 1A projects”, as discussed in the testimony of Mr. Mejia?¹² Will SED also review if the miles removed from Phase 1 due to found records are based on

⁹ D.14-06-007, p. 37.

¹⁰ Application, p. 6.

¹¹ Application, pp. 6-7.

¹² See prepared testimony of Mr. Mejia, p. 1.

Traceable, Verifiable, and Complete records? If so, will SED prepare a report, complete with citations to the information sources that are the basis for its findings? If SED does prepare a report, ORA and other parties must have sufficient time to review SED's report before preparing their own testimony.

B. On-going Valve Projects

As cited above, the Application and Testimony also mention “approximately 100 in-progress replacement and valve enhancement projects that were initiated but not completed before June 12, 2014”.¹³ The Application indicates that costs for these projects are not included in the Application, but does not elaborate further on if/when the Sempra utilities will submit these costs for recovery.

C. Clarify Application Scope Changes

The Application does not explicitly clarify whether Applicants' will, at a later time or through a different proceeding, either voluntarily or in compliance with Commission requirements, propose changes to the scope of certain items identified in the Application. Several questions help refine this fundamental one. First, have Applicants exercised a “standard of care that demonstrates all actions were well planned, properly supervised and all necessary records are retained.”? (See minimum filing requirements provided by D.14-06-007, pp. 36-37.) Second, can Applicants produce necessary pressure test records of post July 1961 natural gas transmission pipelines from both Phase 1 and non-Phase 1? (See disallowance requirements identified and provided in D.14-06-007, pp. 34-36.) Third, the Commission found that “. . .SDG&E and SoCalGas has *over* 385 miles of pipeline which do not have documentation of a strength test of at least 125% of Maximum Allowable Operating Pressure.” (D.14-06-007, p. 33) ¹⁴ Have additional pipelines been identified that also lack such documentation? Finally, is the Application based upon Applicants' review

¹³ A. 14-12-016, p. 8.

¹⁴ D.14-06-007, p. 33

of a traceable, verifiable and complete set of its natural gas transmission system pipeline records? (D.14-06-007, p. 37.)

D. Compliance with D.14-06-007

Commission Decision 14-06-007, pp. 36-37, provides “Safety Enhancement Reasonableness Application filing requirements”. ORA will review whether the Application, and testimony, comport with these requirements. The same Commission Decision at pp. 5-6, provides a list of criteria to be used to determine disallowed costs. Consistent with this list, ORA intends to check to ensure that a complete and accurate accounting of disallowed costs has been provided by the Applicants.

E. Additional Issues

ORA reserves the right to supplement the issues listed above, including whether the Applicants’ project costs were reasonably incurred, at a later date as it continues to conduct its review of the Application and more information becomes available.

IV. OTHER ISSUES

A. Schedule

ORA and other intervenors in natural gas proceedings currently have many other cases before them. Protests are due in this proceeding and in the Sempra Triennial Cost Allocation Proceeding (TCAP) Phase 1 on the same day. Other conflicts also exist under Sempra’s proposed schedule. For example, testimony would be due the day after reply briefs in the PG&E Gas Transmission and Storage Application (A. 13-12-012). The schedule in Sempra’s North-South Application (A.13-12-013) has currently been suspended but testimony may be due on ratemaking issues in late April, near the date the Applicants have proposed testimony be due in this proceeding. The below table shows the current and/or proposed schedules for these proceedings:

			Sempra GRC		Sempra TCAP Phase I		Sempra PSMRA		
	GT&S RC	Sempra N-S (Schedule on Hold)	Utility Prop.	ORA Prop.	Utility Prop.	ORA Prop.	Utility Prop.	ORA Prop.	
Jan			PHC		Protests		Protests		Jan
21-Jan									21-Jan
Feb			ORA testimony						Feb
2-Feb									2-Feb
13-Feb									13-Feb
17-Feb					PHC				17-Feb
18-Feb							PHC		18-Feb
27-Feb	Hearings End	Alternatives testimony							27-Feb
March			Other testimony						March
April			Sempra rebuttal				Testimony SED Report		April
1-Apr									1-Apr
13-Apr	Brief (appx)								13-Apr
22-Apr		Alts. Rebuttal and Opening Ratemaking	ORA testimony						22-Apr
30-Apr	Reply Brief (appx)								30-Apr
May			Hearings				Rebuttal		May
8-May									8-May
15-May					Testimony				15-May
29-May		Rebuttal Ratemaking							29-May
June			Brief		Sempra rebuttal				June
5-Jun					Rebuttal		Testimony		5-Jun
12-Jun							Hearings		12-Jun
15-Jun									15-Jun
June (late)		Hearings	Hearings				Testimony		June (late)
July			Reply						July
10-Jul							Rebuttal		10-Jul
13-Jul					Hearings				13-Jul
22-Jul							Hearings		22-Jul
24-Jul		Brief					Brief		24-Jul
							Rebuttal		
Aug			Update Filing						Aug
6-Aug							Reply		6-Aug
7-Aug		Reply	Brief						7-Aug
10-Aug									10-Aug
14-Aug			Reply		Brief				14-Aug
21-Aug					Brief				21-Aug
Sept							Hearings		Sept
4-Sep					Reply		Reply		4-Sep
Sept (mid)									Sept (mid)
Oct (early)							Brief		Oct (early)
Oct (mid)							Reply		Oct (mid)

ORA recommends the following schedule, which would allow SED time to review the Application and materials, then allow parties time to incorporate SED’s findings in their own testimony, making sure safety issues have been appropriately addressed.

	ORA Recommendation
Jan 21	Protests Due
Apr 1	SED Report
June (late)	Testimony
July 24	Rebuttal
Sept (mid)	Hearings
Oct (early)	Brief
Oct (mid)	Reply

B. Categorization

SoCalGas and SDG&E propose that this proceeding be categorized as “ratesetting” under Rule 1.3(e) because the Application will have a potential future effect on SoCalGas and SDG&E’s rates.¹⁵ ORA agrees that this proceeding should be categorized as “ratesetting.”

V. CONCLUSION

ORA respectfully recommends that this matter be set for evidentiary hearings, and that the scope of the proceeding include, but not be limited to, the issues identified in this protest. ORA also requests that the Commission adopt a procedural schedule that provides adequate time for participation by the Commission’s Safety and Enforcement Division, as well as discovery, analysis, preparation of testimony, and preparation for evidentiary hearings.

¹⁵ Application, p. 18.

Respectfully submitted,

/s/ **DARRYL GRUEN**

DARRYL GRUEN

Attorney for the Office of Ratepayer Advocates

California Public Utilities Commission

505 Van Ness Avenue

San Francisco, CA 94102

Phone: (415) 703-1973

Fax: (415) 703-4592

E-mail: darryl.gruen@cpuc.ca.gov

January 21, 2015